

112 FERC ¶ 61,037
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 342

[Docket No. RM05-22-000]

Five-Year Review of Oil Pipeline Pricing Index

(July 6, 2005)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of Inquiry.

SUMMARY: The Federal Energy Regulatory Commission (Commission) invites comments on its five-year review of the oil pipeline pricing index, established in Order No. 561, Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 30,985 (1993). Specifically, the Commission proposes to use the Producer Price Index for Finished Goods (PPI) as the index for oil pipeline rate changes in the next five-year period, commencing July 1, 2006. Commentors are invited to submit and justify alternatives to the continued use of the PPI.

DATES: Written comments on this Notice of Inquiry are due on [Insert date 60 days after publication in the FEDERAL REGISTER]. Reply comments must be received by the Commission 30 days after the filing date for initial comments.

ADDRESSES: Comments may be filed electronically via the eFiling link on the Commission's web site at <http://www.ferc.gov>. Commentors unable to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street N.E., Washington, DC, 20426. Refer to the Comment Procedures section of the NOI for additional information on how to file comments.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

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Five-Year Review of Oil Pipeline Pricing Index

Docket No. RM05-22-000

NOTICE OF INQUIRY

(July 6, 2005)

1. In this notice of inquiry (NOI), the Commission invites comments on its intended utilization of the Producer Price Index for Finished Goods (PPI)¹ for oil pipeline rate changes during the next five years.² This index was adopted by the Commission in its order of February 23, 2003, "Five-Year Review of Oil Pricing Index and Order on Remand," and affirmed by the U.S. Court of Appeals for the District of Columbia

¹The PPI represents the Producer Price Index for Finished Goods, also written PPI-FG. The PPI-FG is determined and issued by the Bureau of Labor Statistics, U.S. Department of Labor. Pursuant to 18 C.F.R. section 342.3(d)(2), "The index will be calculated by dividing the PPI-FG for the calendar year immediately preceding the index year by the previous calendar year's PPI-FG." Multiplying the rate ceiling on June 30 of the index year by the resulting number gives the rate ceiling for the year beginning the next day, July 1.

²The five-year review process was established in Order No. 561. *See Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act*, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 30,985 (1993), 58 F.R. 58753 (Nov.4, 1993); *order on reh'g*, Order No. 561-A, FERC Stats. & Regs. [Regs Preambles, 1991-1996] ¶ 31,000 (1994), 59 F.R. 40243 (Aug.8, 1994), *affirmed*, *Association of Oil Pipelines v. FERC*, 83 F.3d 1424 (D.C. Cir. 1996).

Circuit.³ The Commission proposes to continue to apply PPI to oil pipelines' rate ceiling levels to derive the next year's ceiling levels effective July 1, 2006.⁴

I. Background

2. In Order No. 561, the Commission established an index methodology to regulate changes to oil pipeline rates, and adopted an index of PPI minus one percent (PPI-1) as the most appropriate index to track oil pipeline industry cost changes from one year to the next. The Commission also undertook to review every five years the continued effectiveness of its index for tracking changes to oil pipeline industry costs.

3. After its initial five-year review, the Commission adopted PPI, without the (-1) percent adjustment, as the appropriate index for tracking oil pipeline industry costs for the five-year period beginning July 2001. This adoption of PPI was affirmed by the U.S. Court of Appeals for the District of Columbia Circuit.

II. Proposal and Comments

4. The Commission proposes to continue to utilize PPI for the next five-year period as the index to track changes to the costs of the oil pipeline industry and to apply to rate ceiling levels for oil pipeline rate changes. The Commission invites interested persons to

³102 FERC ¶ 61,195 (2003), *affirmed*, *Flying J Inc., et al., v. FERC*, 363 F.3d 495 (D.C. Cir. 2004).

⁴The Commission publishes the final annual change in the PPI-FG, expressed as a percent, after the final PPI-FG becomes available from the Bureau of Labor Statistics, U.S. Department of Labor in May of each calendar year. Pipelines are required to calculate the new ceiling level applicable to their indexed rates based on this annual change.

submit comments on the continued use of PPI and to propose, justify, and fully support, as an alternative, adjustments to PPI.

III. Comment Procedures

5. Comments may be filed on paper or electronically via the eFiling link on the Commission's web site at <http://www.ferc.gov>. The Commission accepts most standard word processing formats and commentors may attach additional files with supporting information in certain other file formats. Commentors filing electronically do not need to make a paper filing. Commentors that are not able to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street N.E., Washington, D.C. 20426.

6. All comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below. Commentors are not required to serve copies of their comments on other commentors.

IV. Document Availability

7. In addition to publishing the full text of this document in the *Federal Register*, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through the Commission's Home Page (<http://www.ferc.gov>) and in the Commission's Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street, N.E., Room 2A, Washington D.C. 20426.

8. From the Commission's Home Page on the Internet, this information is available in the Commission's document management system, eLibrary. The full text of this document is available on eLibrary in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number (excluding the last three digits) in the docket number field.

9. User assistance is available for eLibrary and the Commission's website during normal business hours. For assistance, please contact the Commission's Online Support at 1-866-208-3676 (toll free) or 202-502-6652 (e-mail at FERCOnlineSupport@ferc.gov or the Public Reference Room at 202-502-8371, TTY 202-502-8659 (e-mail at public.referenceroom@ferc.gov)

By direction of the Commission.

Linda Mitry,
Deputy Secretary.